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( PIERCE PROPOSED AMENDMENT NO. 1

ORIGINAL

IE/DATE PREPARED: June 9, 2014 at 11:30

COMPANY: Payson Water Company

AGENDA ITEM NO. 17

DOCKET NO(S). W-03514A-13-0111/W-03514A-13-0142 OPEN MEETING DATE: 6/10/14

*This is an amendment to revise the Purchased Water Adjustor Mechanism ("PWAM") Tariff that was approved on an interim basis in Decision No. 74484, dated May 22, 2014. This revised PWAM will have only those Mesa Del Caballo ("MDC") customers that use more than the average gallons produced by MDC's own wells that serve the MDC water system pay for the cost of purchased water (purchased from the Town of Payson through the new interconnection) through the PWAM and will not be applied to the gallons produced by company wells.*

Page 47, Line 4:

DELETE: "In accordance with Decision No. 74484, we find that the interim approval of the PWAM tariff should be made permanent."

INSERT: We believe the cost of water purchased for MDC through the TOP-MDC pipeline should be borne by only those MDC customers who place higher demands on the MDC system. Therefore, we will revise the PWAM approved in Decision No. 74484 such that only those MDC customers that use more than the average gallons produced by MDC's own wells that serve the MDC water system pay for the cost of purchased water (purchased from the Town through the TOP-MDC pipeline) through the PWAM and exempt those MDC customers whose usage is less than or equal to the average. The revised PWAM is attached to this decision.

Arizona Corporation Commission

DOCKETED

JUN 09 2014

DOCKETED BY

Page 71, Line 8: AFTER "and charges" INSERT "and PWAM"

Page 72, Line 7-1/2:

DELETE: ", in accordance with Decision No. 74484, the interim approval of the Company's PWAM tariff shall be made permanent."

INSERT: "the PWAM attached to this decision is hereby approved."

**\*\* Make all conforming changes**

<b>THIS AMENDMENT:</b>			
<input type="checkbox"/> Passed	<input type="checkbox"/> Passed as amended by		
<input type="checkbox"/> Failed	<input type="checkbox"/> Not Offered	<input type="checkbox"/> Withdrawn	

RECEIVED  
 2014 JUN -9 P 3:11  
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REVISED  
PURCHASED WATER ADJUSTOR MECHANISM ("PWAM")  
TARIFF  
FOR MESA DEL CABALLO

**I. Purpose and Applicability**

The purpose of this tariff is to provide for recovery of the costs of water purchased through an interconnection between the Town of Payson and Payson Water Co., Inc. in order to obtain supplemental water supplies for the Company's Mesa Del Caballo ("MDC") system. This tariff is applicable only to MDC customers. These charges are applicable to all MDC connections and will be assessed based on usage, as more particularly provided below.

**II. Definitions**

Unless the context suggests otherwise, the definitions set forth in R14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Above Average Usage Customers" means those customers whose usage is higher in that month than the average gallons delivered to customers from the Company owned wells serving the Mesa Del Caballo system.

"Average System Gallons" means the net gallons pumped from the Company owned wells serving the Mesa Del Caballo system divided by total customers of the Mesa Del Caballo system. An example of the calculation of Average System Gallons is shown in Section III below.

"Avoided Production Costs" means the unit cost of production (cost per 1,000 gallons) avoided by PWC because of the use of water purchased from the Town of Payson rather than pumping groundwater from the wells and booster stations in the MDC water system.

"PWC" means Payson Water Co., Inc.

“Purchased Water Cost” means the actual cost billed by the Town of Payson for water purchased through the interconnection between the Town of Payson’s water system and the MDC water system.

“Purchased Water” means the actual quantity (in thousands of gallons) of water purchased by PWC from the Town of Payson and transported through the interconnection between the Town of Payson’s water system and the MDC water system.

“PWAM Surcharge” means the surcharge calculated in accordance with Section IV below.

“PWAM Surcharge Rate” means the rate per 1,000 gallons that is calculated in accordance with Section III below.

“Town” means the Town of Payson.

“Water Sold” means the actual quantity (in thousands of gallons) of water sold by PWC to MDC customers during the month corresponding to the month in which water was purchased from the Town and transported through the interconnection between the Town’s water system and the MDC water system.

### **III. PWAM Surcharge Rate Calculation**

For each month that PWC purchases water from the Town through the interconnection between the Town’s water system and the MDC water system, PWC will calculate the PWAM Surcharge Rate using the following methodology:

#### ***FOR ILLUSTRATIVE PURPOSES ONLY***

##### ***Step 1 – Find the Average System Gallons***

Total Gallons Pumped from Wells Serving Mesa Del Caballo	1,344,880 gallons
Less Water Loss (1,344,880 gallons x 5% water loss)	<u>67,244 gallons</u>
Net Gallons	1,277,636 gallons
Divide Net Gallons by Total Mesa Del Caballo Customers	<u>364 customers</u>
<b>AVERAGE SYSTEM GALLONS</b>	<b>3,510 gallons</b>

## ***Step 2– Find the Exempt Customers and the Above Average Usage Customers***

Exempt Customers - Any customer whose total metered usage is less than or equal to the Average System Gallons as calculated in Step 1 above will be exempt from the PWAM surcharge for that month. However, such customers will still be required to pay the \$6.76 WIFA loan surcharge.

Above Average Usage Customers – To find the Above Average Usage Customers compare the monthly usage of each Mesa Del Caballo customer to the Average System Gallons. All MDC customers whose usage is higher than the Average System Gallons will be required to pay the PWAM surcharge which is calculated using the methodology shown in Step 3 below. The PWAM surcharge will be applied to the gallons that are over the average system gallons.

## ***Step 3– Find the PWAM Surcharge Rate***

Assumptions Used In PWAM Surcharge Calculation:

- Assume purchased water bill from the Town of Payson is \$9,225
- Assume total amount of water purchased from the Town of Payson is 1,460,000 gallons
- Assume the avoided cost per thousand gallons is \$0.60

$$[\text{Purchased Water Cost} - (\text{Total Purchased Water} \times \text{Avoided Production Costs})] / (\text{Total Purchased Water} \times .95)$$

$$[\$9,225 - ((1,460,000 \text{ gallons}/1,000) \times \$0.60)] / (1,460,000 \text{ gallons}/ 1,000) \times .95$$

$$(\$9,225 - (1,460 \times \$0.60) / (1,460 \times .95)$$

$$(\$9,225 - \$876) / (1,460 \times .95)$$

$$\$8,349 / 1,387 \text{ gallons} = \$6.02 \text{ PWAM Surcharge rate per 1,000 gallons that are over the average system gallons.}$$

## **IV. Terms and Conditions**

(A) Assessment and Billing of PWAM Surcharge: For any month in which water is purchased from the Town, after completing its billing for the month and receiving the Town's billing for the month, PWC will make the PWAM surcharge calculation to determine the PWAM Surcharge Rate.

In the following month, PWC will bill the PWAM Surcharge to its MDC customers only. Each individual customer's billing for the PWAM Surcharge will be based on that customer's actual usage for the previous month (the month corresponding to the water purchase from the Town) times the PWAM Surcharge Rate.

The PWAM Surcharge shall be presented as a separate line item on the customer billing.

(B) Notice to Commission: For any month in which PWC intends to bill MDC customers a PWAM Surcharge, PWC shall provide Commission Staff notice of PWC's intent to bill the PWAM Surcharge. At the time it bills the PWAM to MDC Customers, PWC shall provide Commission Staff the following:

1. The Purchased Water Cost.
2. The Purchased Water Quantity.
3. A copy of the bill received for the purchase of water from the Town.
4. A description of the system problem necessitating purchasing of water and a description of the action being taken by PWC to resolve the problem, including the date operations did or are expected to return to normal.
5. The dates for beginning and ending purchasing water.
6. A schedule showing the calculation of the PWAM Surcharge Rate in excel format with formulas intact, including a schedule showing the determination of the Avoided Production costs.